



General Assembly

January Session, 2005

**Amendment**

LCO No. 6325

**\*HB0690606325HDO\***

Offered by:

REP. FONTANA, 87<sup>th</sup> Dist.  
SEN. FONFARA, 1<sup>st</sup> Dist.  
REP. DELGOBBO, 70<sup>th</sup> Dist.  
SEN. HERLIHY, 8<sup>th</sup> Dist.

To: Subst. House Bill No. 6906

File No. 220

Cal. No. 212

**"AN ACT CONCERNING ENERGY INDEPENDENCE."**

1 Strike everything after the enacting clause and substitute the  
2 following in lieu thereof:

3 "Section 1. Subsection (a) of section 16-1 of the general statutes is  
4 amended by adding subdivisions (42) to (44), inclusive, as follows  
5 (*Effective from passage*):

6 (NEW) (42) "Combined heat and power system" means a system  
7 that produces, from a single source, both electric power and thermal  
8 energy used in any process that results in an aggregate reduction in  
9 electricity use;

10 (NEW) (43) "Grid-side distributed resources" means the generation  
11 of electricity from a unit with a summer capacity rating of not more

12 than forty megawatts that is connected to the transmission or  
13 distribution system, which units may include, but are not limited to,  
14 units used primarily to generate electricity to meet peak demand;

15 (NEW) (44) "Class III renewable energy source" means the electricity  
16 output from combined heat and power systems with an operating  
17 efficiency level of no less than fifty per cent that are part of customer-  
18 side distributed resources developed at commercial and industrial  
19 facilities in this state on or after January 1, 2006, or the electricity  
20 savings created at commercial and industrial facilities in this state from  
21 conservation and load management programs begun on or after  
22 January 1, 2006.

23 Sec. 2. Subdivisions (40) and (41) of subsection (a) of section 16-1 of  
24 the general statutes are repealed and the following is substituted in  
25 lieu thereof (*Effective from passage*):

26 (40) ["Distributed generation"] "Customer-side distributed  
27 resources" means (A) the generation of electricity from a unit on the  
28 premises of [an] a retail end user within the transmission and  
29 distribution system including, but not limited to, fuel cells,  
30 photovoltaic systems or small wind turbines, or (B) a reduction in the  
31 demand for electricity on the premises of a retail end user in the  
32 distribution system through methods of conservation and load  
33 management, including, but not limited to, peak reducing systems and  
34 demand response systems; and

35 (41) "Federally mandated congestion costs" means any cost  
36 approved by the Federal Energy Regulatory Commission as part of  
37 New England Standard Market Design including, but not limited to,  
38 locational marginal pricing, locationally installed capacity payments  
39 and reliability must run contracts.

40 Sec. 3. Subsection (d) of section 16-19ss of the general statutes is  
41 repealed and the following is substituted in lieu thereof (*Effective from*  
42 *passage*):

43 (d) Nothing in this section shall be construed to allow an electric  
44 distribution company to own, operate, lease or control any facility or  
45 asset that generates electricity, or retain any interest in such facility or  
46 asset as part of any transaction concluded pursuant to this section,  
47 except as provided in subsection (e) of section 16-244e, as amended by  
48 this act, and section 12 of this act.

49 Sec. 4. Subdivision (6) of subsection (a) of section 16-244e of the  
50 general statutes is repealed and the following is substituted in lieu  
51 thereof (*Effective from passage*):

52 (6) Once unbundling is completed to the satisfaction of the  
53 department and consistent with the provisions of section 16-244, (A)  
54 any corporate affiliate or separate division that provides electric  
55 generation services as a result of unbundling pursuant to this  
56 subsection shall be considered a generation entity or affiliate of the  
57 electric company, and the division or corporate affiliate of the electric  
58 company that provides transmission and distribution services shall be  
59 considered an electric distribution company, and (B) an electric  
60 distribution company shall not own or operate generation assets,  
61 except that an electric distribution company may own or operate grid-  
62 side distributed resources pursuant to section 12 of this act.

63 Sec. 5. Section 16-245m of the general statutes is repealed and the  
64 following is substituted in lieu thereof (*Effective from passage*):

65 (a) (1) On and after January 1, 2000, the Department of Public Utility  
66 Control shall assess or cause to be assessed a charge of three mills per  
67 kilowatt hour of electricity sold to each end use customer of an electric  
68 distribution company to be used to implement the program as  
69 provided in this section for conservation and load management  
70 programs but not for the amortization of costs incurred prior to July 1,  
71 1997, for such conservation and load management programs.

72 (2) Notwithstanding the provisions of this section, receipts from  
73 such charge shall be disbursed to the resources of the General Fund  
74 during the period from July 1, 2003, to June 30, 2005, unless the

75 department shall, on or before October 30, 2003, issue a financing order  
76 for each affected distribution company in accordance with sections 16-  
77 245e to 16-245k, inclusive, to sustain funding of conservation and load  
78 management programs by substituting an equivalent amount, as  
79 determined by the department in such financing order, of proceeds of  
80 rate reduction bonds for disbursement to the resources of the General  
81 Fund during the period from July 1, 2003, to June 30, 2005. The  
82 department may authorize in such financing order the issuance of rate  
83 reduction bonds that substitute for disbursement to the General Fund  
84 for receipts of both the charge under this subsection and under  
85 subsection (b) of section 16-245n, as amended by this act, and also may,  
86 in its discretion, authorize the issuance of rate reduction bonds under  
87 this subsection and subsection (b) of section 16-245n, as amended by  
88 this act, that relate to more than one electric distribution company. The  
89 department shall, in such financing order or other appropriate order,  
90 offset any increase in the competitive transition assessment necessary  
91 to pay principal, premium, if any, interest and expenses of the issuance  
92 of such rate reduction bonds by making an equivalent reduction to the  
93 charge imposed under this subsection, provided any failure to offset  
94 all or any portion of such increase in the competitive transition  
95 assessment shall not affect the need to implement the full amount of  
96 such increase as required by this subsection and by sections 16-245e to  
97 16-245k, inclusive. Such financing order shall also provide if the rate  
98 reduction bonds are not issued, any unrecovered funds expended and  
99 committed by the electric distribution companies for conservation and  
100 load management programs, provided such expenditures were  
101 approved by the department after August 20, 2003, and prior to the  
102 date of determination that the rate reduction bonds cannot be issued,  
103 shall be recovered by the companies from their respective competitive  
104 transition assessment or systems benefits charge but such expenditures  
105 shall not exceed four million dollars per month. All receipts from the  
106 remaining charge imposed under this subsection, after reduction of  
107 such charge to offset the increase in the competitive transition  
108 assessment as provided in this subsection, shall be disbursed to the  
109 Energy Conservation and Load Management Fund commencing as of

110 July 1, 2003. Any increase in the competitive transition assessment or  
111 decrease in the conservation and load management component of an  
112 electric distribution company's rates resulting from the issuance of or  
113 obligations under rate reduction bonds shall be included as rate  
114 adjustments on customer bills.

115 (b) The electric distribution company shall establish an Energy  
116 Conservation and Load Management Fund which shall be held  
117 separate and apart from all other funds or accounts. Receipts from the  
118 charge imposed under subsection (a) of this section shall be deposited  
119 into the fund. Any balance remaining in the fund at the end of any  
120 fiscal year shall be carried forward in the fiscal year next succeeding.  
121 Disbursements from the fund by electric distribution companies to  
122 carry out the plan developed under subsection (d) of this section shall  
123 be authorized by the Department of Public Utility Control upon its  
124 approval of such plan.

125 (c) The Department of Public Utility Control shall appoint and  
126 convene an Energy Conservation Management Board which shall  
127 include representatives of: (1) An environmental group knowledgeable  
128 in energy conservation program collaboratives; (2) the Office of  
129 Consumer Counsel; (3) the Attorney General; (4) the Department of  
130 Environmental Protection; (5) the electric distribution companies in  
131 whose territories the activities take place for such programs; (6) a state-  
132 wide manufacturing association; (7) a chamber of commerce; (8) a  
133 state-wide business association; (9) a state-wide retail organization;  
134 (10) a representative of a municipal electric energy cooperative created  
135 pursuant to chapter 101a; and [(10)] (11) residential customers. Such  
136 members shall serve for a period of five years and may be reappointed.

137 (d) (1) The Energy Conservation Management Board shall advise  
138 and assist the electric distribution companies in the development and  
139 implementation of a comprehensive plan, which plan shall be  
140 approved by the Department of Public Utility Control, to implement  
141 cost-effective energy conservation programs and market  
142 transformation initiatives. The plan shall be consistent with the

143 comprehensive energy plan approved by the Connecticut Energy  
144 Advisory Board pursuant to section 16a-7a. Each program contained in  
145 the plan shall be reviewed by the electric distribution company and  
146 either accepted or rejected by the Energy Conservation Management  
147 Board prior to submission to the department for approval. The Energy  
148 Conservation Management Board shall, as part of its review, examine  
149 opportunities to offer joint programs providing similar efficiency  
150 measures which save more than one fuel resource or otherwise to  
151 coordinate programs targeted at saving more than one fuel resource.  
152 The Energy Conservation Management Board shall give preference to  
153 projects that maximize the reduction of federally mandated congestion  
154 costs.

155 (2) There shall be a joint committee of the Energy Conservation  
156 Management Board and the Renewable Energy Investments Advisory  
157 Committee. The board and the advisory committee shall appoint  
158 members to such joint committee. The joint committee shall examine  
159 opportunities to coordinate the programs and activities funded by the  
160 Renewable Energy Investment Fund pursuant to section 16-245n, as  
161 amended by this act, with the programs and activities contained in the  
162 plan developed under this subsection to reduce the long-term cost,  
163 environmental impacts and security risks of energy in the state. Such  
164 joint committee shall hold its first meeting on or before August 1, 2005.

165 ~~[(2)]~~ (3) Programs included in the plan shall be screened through  
166 cost-effectiveness testing which compares the value and payback  
167 period of program benefits to program costs to ensure that programs  
168 are designed to obtain energy savings and system benefits, including  
169 mitigation of federally mandated congestion costs, whose value is  
170 greater than the costs of the programs. Cost-effectiveness testing shall  
171 utilize available information obtained from real-time monitoring  
172 systems to ensure accurate validation and verification of energy use.  
173 Program cost-effectiveness shall be reviewed annually, or otherwise as  
174 is practicable. If a program is determined to fail the cost-effectiveness  
175 test as part of the review process, it shall either be modified to meet the  
176 test or shall be terminated. On or before March 1, 2005, and [March 1,

2006] on or before March first annually thereafter, the board shall provide a report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment [which] (A) that documents expenditures and fund balances and evaluates the cost-effectiveness of such programs conducted in the preceding year, and (B) that documents the extent to and manner in which the programs of such board collaborated and cooperated with programs, established under section 17 of this act, of municipal electric energy cooperatives and that makes recommendations for needed change. Programs in the plan shall not require parity between the amount of contributions to the Energy Conservation and Load Management Funds by a certain rate class and the programs that benefit such a rate class. Before conducting such evaluation, the board shall consult with the Renewable Energy Investments Advisory Committee. The report shall include a description of the activities undertaken during the reporting period jointly or in collaboration with the Renewable Energy Investment Fund established pursuant to subsection (c) of section 16-245n, as amended by this act.

[(3)] (4) Programs included in the plan may include, but not be limited to: (A) Conservation and load management programs, including programs that benefit low-income individuals; (B) research, development and commercialization of products or processes which are more energy-efficient than those generally available; (C) development of markets for such products and processes; (D) support for energy use assessment, real-time monitoring systems, engineering studies and services related to new construction or major building renovation; (E) the design, manufacture, commercialization and purchase of energy-efficient appliances and heating, air conditioning and lighting devices; (F) program planning and evaluation; (G) indoor air quality programs relating to energy conservation; (H) joint fuel conservation initiatives programs targeted at reducing consumption of more than one fuel resource; and [(H)] (I) public education regarding conservation. Such support may be by direct funding, manufacturers'

211 rebates, sale price and loan subsidies, leases and promotional and  
212 educational activities. [Any other expenditure by the collaborative  
213 shall be limited to] The plan shall also provide for expenditures by the  
214 Energy Conservation Management Board for the retention of expert  
215 consultants and reasonable administrative costs provided such  
216 consultants shall not be employed by, or have any contractual  
217 relationship with, an electric distribution company. Such costs shall  
218 not exceed five per cent of the total revenue collected from the  
219 assessment.

220 (e) Notwithstanding the provisions of subsections (a) to (d),  
221 inclusive, of this section, the Department of Public Utility Control shall  
222 authorize the disbursement of a total of one million dollars in each  
223 month, commencing with July, 2003, and ending with July, 2005, from  
224 the Energy Conservation and Load Management Funds established  
225 pursuant to said subsections. The amount disbursed from each Energy  
226 Conservation and Load Management Fund shall be proportionately  
227 based on the receipts received by each fund. Such disbursements shall  
228 be deposited in the General Fund.

229 Sec. 6. Section 16-245n of the general statutes is repealed and the  
230 following is substituted in lieu thereof (*Effective from passage*):

231 (a) For purposes of this section, "renewable energy" means solar  
232 energy, wind, ocean thermal energy, wave or tidal energy, fuel cells,  
233 landfill gas, hydrogen production and hydrogen conversion  
234 technologies, [and] low emission advanced biomass conversion  
235 technologies, usable electricity from combined heat and power systems  
236 with waste heat recovery systems, thermal storage and other energy  
237 resources and emerging technologies which have significant potential  
238 for commercialization and which do not involve the combustion of  
239 coal, petroleum or petroleum products, municipal solid waste or  
240 nuclear fission.

241 (b) On and after January 1, [2000] 2004, the Department of Public  
242 Utility Control shall assess or cause to be assessed a charge of not less



243 than [one-half of] one mill per kilowatt hour charged to each end use  
244 customer of electric services in this state which shall be deposited into  
245 the Renewable Energy Investment Fund established under subsection  
246 (c) of this section. [On and after July 1, 2002, such charge shall be three-  
247 quarters of one mill and on and after July 1, 2004, such charge shall be  
248 one mill.] Notwithstanding the provisions of this section, receipts from  
249 such charges shall be disbursed to the resources of the General Fund  
250 during the period from July 1, 2003, to June 30, 2005, unless the  
251 department shall, on or before October 30, 2003, issue a financing order  
252 for each affected distribution company in accordance with sections 16-  
253 245e to 16-245k, inclusive, to sustain funding of renewable energy  
254 investment programs by substituting an equivalent amount, as  
255 determined by the department in such financing order, of proceeds of  
256 rate reduction bonds for disbursement to the resources of the General  
257 Fund during the period from July 1, 2003, to June 30, 2005. The  
258 department may authorize in such financing order the issuance of rate  
259 reduction bonds that substitute for disbursement to the General Fund  
260 for receipts of both charges under this subsection and subsection (a) of  
261 section 16-245m, as amended by this act, and also may in its discretion  
262 authorize the issuance of rate reduction bonds under this subsection  
263 and subsection (a) of section 16-245m, as amended by this act, that  
264 relate to more than one electric distribution company. The department  
265 shall, in such financing order or other appropriate order, offset any  
266 increase in the competitive transition assessment necessary to pay  
267 principal, premium, if any, interest and expenses of the issuance of  
268 such rate reduction bonds by making an equivalent reduction to the  
269 charges imposed under this subsection, provided any failure to offset  
270 all or any portion of such increase in the competitive transition  
271 assessment shall not affect the need to implement the full amount of  
272 such increase as required by this subsection and sections 16-245e to 16-  
273 245k, inclusive. Such financing order shall also provide if the rate  
274 reduction bonds are not issued, any unrecovered funds expended and  
275 committed by the electric distribution companies for renewable  
276 resource investment through deposits into the Renewable Energy  
277 Investment Fund, provided such expenditures were approved by the

278 department following August 20, 2003, and prior to the date of  
279 determination that the rate reduction bonds cannot be issued, shall be  
280 recovered by the companies from their respective competitive  
281 transition assessment or systems benefits charge except that such  
282 expenditures shall not exceed one million dollars per month. All  
283 receipts from the remaining charges imposed under this subsection,  
284 after reduction of such charges to offset the increase in the competitive  
285 transition assessment as provided in this subsection, shall be disbursed  
286 to the Renewable Energy Investment Fund commencing as of July 1,  
287 2003. Any increase in the competitive transition assessment or decrease  
288 in the renewable energy investment component of an electric  
289 distribution company's rates resulting from the issuance of or  
290 obligations under rate reduction bonds shall be included as rate  
291 adjustments on customer bills.

292 (c) There is hereby created a Renewable Energy Investment Fund  
293 which shall be administered by Connecticut Innovations, Incorporated.  
294 The fund may receive any amount required by law to be deposited  
295 into the fund and may receive any federal funds as may become  
296 available to the state for renewable energy investments. Connecticut  
297 Innovations, Incorporated, may use any amount in said fund for  
298 expenditures which promote investment in renewable energy sources  
299 in accordance with a comprehensive plan developed by it to foster the  
300 growth, development and commercialization of renewable energy  
301 sources, related enterprises and stimulate demand for renewable  
302 energy and deployment of renewable energy sources which serve end  
303 use customers in this state. Such expenditures may include, but not be  
304 limited to, grants, direct or equity investments, contracts or other  
305 actions which support research, development, manufacture,  
306 commercialization, deployment and installation of renewable energy  
307 technologies, and actions which expand the expertise of individuals,  
308 businesses and lending institutions with regard to renewable energy  
309 technologies.

310 (d) The chairperson of the board of directors of Connecticut  
311 Innovations, Incorporated, shall convene a Renewable Energy

312 Investments Advisory Committee to assist Connecticut Innovations,  
313 Incorporated, in matters related to the Renewable Energy Investment  
314 Fund, including, but not limited to, development of a comprehensive  
315 plan and expenditure of funds. The advisory committee shall, in such  
316 plan, give preference to projects that maximize the reduction of  
317 federally mandated congestion costs. The plan shall be consistent with  
318 the comprehensive energy plan approved by the Connecticut Energy  
319 Advisory Board pursuant to section 16a-7a. The advisory committee  
320 shall include not more than [twelve] thirteen individuals with  
321 knowledge and experience in matters related to the purpose and  
322 activities of said fund. The advisory committee shall consist of the  
323 following members: (1) One person with expertise regarding  
324 renewable energy resources appointed by the speaker of the House of  
325 Representatives; (2) one person representing a state or regional  
326 organization primarily concerned with environmental protection  
327 appointed by the president pro tempore of the Senate; (3) one person  
328 with experience in business or commercial investments appointed by  
329 the majority leader of the House of Representatives; (4) one person  
330 representing a state or regional organization primarily concerned with  
331 environmental protection appointed by the majority leader of the  
332 Senate; (5) one person with experience in business or commercial  
333 investments appointed by the minority leader of the House of  
334 Representatives; (6) one person with experience in business or  
335 commercial investments appointed by the minority leader of the  
336 Senate; (7) two state officials with experience in matters relating to  
337 energy policy and one person with expertise regarding renewable  
338 energy resources appointed by the Governor; (8) a representative of a  
339 municipal electric energy cooperative created pursuant to chapter  
340 101a; and [(8)] (9) three persons with experience in business or  
341 commercial investments appointed by the board of directors of  
342 Connecticut Innovations, Incorporated. The advisory committee shall  
343 issue annually a report to such chairperson reviewing the activities of  
344 the fund in detail and shall provide a copy of such report, in  
345 accordance with the provisions of section 11-4a, to the joint standing  
346 committee of the General Assembly having cognizance of matters

347 relating to energy, the Department of Public Utility Control and the  
348 Office of Consumer Counsel. The report shall include a description of  
349 the programs activities undertaken during the reporting period jointly  
350 or in collaboration with the Energy Conservation and Load  
351 Management Funds established pursuant to section 16-245m, as  
352 amended by this act.

353 (e) There shall be a joint committee of the Energy Conservation  
354 Management Board and the Renewable Energy Investments Advisory  
355 Committee. The board and the advisory committee shall appoint  
356 members to such joint committee. The joint committee shall examine  
357 opportunities to coordinate the programs and activities funded by the  
358 Renewable Energy Investment Fund pursuant to this section with the  
359 programs and activities contained in the plan developed under  
360 subsection (d) of section 16-245m, as amended by this act, to reduce the  
361 long-term cost, environmental impacts and security risks of energy in  
362 the state. Such joint committee shall hold its first meeting on or before  
363 August 1, 2005.

364 (f) No later than December 31, 2006, and no later than December  
365 thirty-first every five years thereafter, the advisory committee shall,  
366 after consulting with the Energy Conservation Management Board,  
367 conduct an evaluation of the performance of the programs and  
368 activities of the fund and submit a report, in accordance with the  
369 provisions of section 11-4a, of the evaluation to the joint standing  
370 committee of the General Assembly having cognizance of matters  
371 relating to energy.

372 Sec. 7. Subsection (a) of section 16-245d of the general statutes is  
373 repealed and the following is substituted in lieu thereof (*Effective*  
374 *October 1, 2005*):

375 (a) The Department of Public Utility Control shall, by regulations  
376 adopted pursuant to chapter 54, develop a standard billing format that  
377 enables customers to compare pricing policies and charges among  
378 electric suppliers. Not later than January 1, 2005, the department shall

379 adopt regulations, in accordance with the provisions of chapter 54, to  
380 provide that an electric supplier may provide direct billing and  
381 collection services for electric generation services and related federally  
382 mandated congestion costs that such supplier provides to its  
383 customers that [use a demand meter or] have a maximum demand of  
384 not less than [five] one hundred kilowatts and that choose to receive a  
385 bill directly from such supplier. An electric company, electric  
386 distribution company or electric supplier that provides direct billing of  
387 the electric generation service component and related federally  
388 mandated congestion costs, as the case may be, shall, in accordance  
389 with the billing format developed by the department, include the  
390 following information in each customer's bill, as appropriate: (1) The  
391 total amount owed by the customer, which shall be itemized to show,  
392 (A) the electric generation services component and any additional  
393 charges imposed by the electric supplier, if applicable, (B) the electric  
394 transmission and distribution charge, including all applicable taxes  
395 and the systems benefits charge, as provided in section 16-245l, as  
396 amended by this act, (C) the competitive transition assessment, as  
397 provided in section 16-245g, (D) federally mandated congestion costs,  
398 and (E) the conservation and renewable energy charge, consisting of  
399 the conservation and load management program charge, as provided  
400 in section 16-245m, as amended by this act, and the renewable energy  
401 investment charge, as provided in section 16-245n, as amended by this  
402 act; (2) any unpaid amounts from previous bills which shall be listed  
403 separately from current charges; (3) except for customers subject to a  
404 demand charge, the rate and usage for the current month and each of  
405 the previous twelve months in the form of a bar graph or other visual  
406 form; (4) the payment due date; (5) the interest rate applicable to any  
407 unpaid amount; (6) the toll-free telephone number of the electric  
408 distribution company to report power losses; (7) the toll-free telephone  
409 number of the Department of Public Utility Control for questions or  
410 complaints; (8) the toll-free telephone number and address of the  
411 electric supplier; and (9) a statement about the availability of  
412 information concerning electric suppliers pursuant to section 16-245p.

413       Sec. 8. (NEW) (*Effective from passage*) (a) The Department of Public  
414       Utility Control shall, not later than January 1, 2006, establish a program  
415       to grant awards to retail end users in the electric distribution system to  
416       fund the capital costs of obtaining projects of generation-based,  
417       customer-side distributed resources, as defined in section 16-1 of the  
418       general statutes, as amended by this act. Each such award shall be a  
419       one time, nonrecurring award for such a project and shall be in an  
420       amount of not less than one hundred dollars and not more than five  
421       hundred dollars per kilowatt of capacity for such generation-based,  
422       customer-side distributed resources, recoverable from the federally  
423       mandated congestion costs, as defined in section 16-1 of the general  
424       statutes, as amended by this act. No such award may be made unless  
425       the projected reduction in federally mandated congestion costs  
426       attributed to the project for such distributed resources is greater than  
427       the amount of the award. The amount of an award shall depend on the  
428       impact that the customer-side distributed resources project has on  
429       reducing federally mandated congestion costs, as defined in section 16-  
430       1 of the general statutes, as amended. Not later than August 1, 2005,  
431       the department shall conduct a contested case proceeding, in  
432       accordance with chapter 54 of the general statutes, to establish  
433       additional standards for the amount of such awards and additional  
434       criteria and the process for making such awards.

435       (b) Not later than February 1, 2006, the department shall report, in  
436       accordance with the provisions of section 11-4a of the general statutes,  
437       on the effectiveness of the award program established in subsection (a)  
438       of this section to the joint standing committee of the General Assembly  
439       having cognizance of matters relating to energy.

440       Sec. 9. (NEW) (*Effective from passage*) (a) The Department of Public  
441       Utility Control shall select, pursuant to a competitive bid process, one  
442       or more persons to provide long-term financing for customer-side  
443       distributed generation, as defined in section 16-1 of the general  
444       statutes, as amended by this act, and advanced power monitoring and  
445       metering equipment. Such person may not be an electric distribution  
446       company, as defined in said section 16-1, but may be a generation

447 affiliate of such company. The department may retain a consultant to  
448 assist it in selecting such person or persons.

449 (b) A successful bidder pursuant to this section shall give preference  
450 for such long-term financing to projects of customer-side distributed  
451 resources and monitoring and metering equipment that maximize the  
452 reduction of the federally mandated congestion costs. Costs eligible for  
453 such financing shall include, but not be limited to, the capital costs  
454 projects of customer-side distributed resources and advanced power  
455 monitoring and metering equipment.

456 (c) A person receiving financing from a successful bidder pursuant  
457 to this section shall, after receiving approval from the department,  
458 enter into an agreement with an electric distribution company, as  
459 defined in section 16-1 of the general statutes, as amended by this act,  
460 to provide billing and collection services for the payment of the  
461 principal and interest on such financing. Any costs prudently incurred  
462 by the electric distribution company, as defined in said section 16-1, in  
463 providing financing and billing and collection services, including costs  
464 associated with nonpayment by the customer, shall be recoverable  
465 from the federally mandated congestion costs, as defined in section 16-  
466 1 of the general statutes, as amended by this act.

467 Sec. 10. (NEW) (*Effective from passage*) Not later than January 1, 2007,  
468 and annually thereafter, the Department of Public Utility Control shall  
469 assess the number and types of customer-side and grid-side  
470 distributed resources, as defined in section 16-1 of the general statutes,  
471 as amended by this act, projects financed pursuant to the provisions of  
472 this act and such projects' contributions to achieving fuel diversity,  
473 transmission support, and energy independence in the state. Not later  
474 than January 1, 2007, and biennially thereafter, the department shall  
475 collect the information in such annual assessments and report, in  
476 accordance with the provisions of section 11-4a of the general statutes,  
477 on its findings to the joint standing committee of the General Assembly  
478 having cognizance of matters relating to energy.

479       Sec. 11. (NEW) (*Effective from passage*) On or before January 1, 2006,  
480 each electric distribution company shall institute a program to rebate  
481 to its customers with projects that use natural gas, which projects are  
482 customer-side distributed resources, as defined in section 16-1 of the  
483 general statutes, as amended by this act, an amount equivalent to the  
484 customer's retail delivery charge for transporting natural gas from the  
485 customer's local gas company to such customer's project of customer-  
486 side distributed resources. Costs of such a rebate shall be recoverable  
487 by the electric distribution company from the federally mandated  
488 congestion costs, as defined in section 16-1 of the general statutes, as  
489 amended by this act. The department may adopt regulations, in  
490 accordance with chapter 54 of the general statutes, to implement the  
491 provisions of this section.

492       Sec. 12. (NEW) (*Effective from passage*) (a) For purposes of this  
493 section, "reliability must run payment" means payments allowed by  
494 the Federal Energy Regulatory Commission for generation of power  
495 that is needed to ensure reliability of the electric distribution system.

496       (b) The Department of Public Utility Control shall, in consultation  
497 with the Connecticut Energy Advisory Board, the electric distribution  
498 companies, the regional independent system operator and other  
499 parties as the department considers appropriate, identify (1) the most  
500 advantageous locations at which to install grid-side distributed  
501 resources, as defined in section 16-1 of the general statutes, as  
502 amended by this act, and the appropriate size, fuel source and  
503 operating features of such resources, and (2) any projects of grid-side  
504 distributed resources that are needed primarily (A) to reduce federally  
505 mandated congestion costs, (B) to provide for grid stability or voltage  
506 support, or (C) to improve the operation and reliability of the  
507 distribution or transmission system. The department shall complete  
508 such identification on or before August 1, 2005.

509       (c) Each electric distribution company shall, no later than September  
510 1, 2005, identify, within the locations selected pursuant to subsection  
511 (a) of this section, any real property over which such company, or a



512 parent or affiliate of such company, has a possessory interest that has  
513 characteristics suitable or beneficial for use in connection with grid-  
514 side distributed resources, and that could be made available through  
515 lease to a bidder selected pursuant to this section.

516 (d) The department shall conduct a contested case, in accordance  
517 with chapter 54 of the general statutes, to establish the principles and  
518 standards to be used in developing and issuing a request for proposals  
519 under subsection (e) of this section. The department shall complete  
520 such contested case on or before September 1, 2005.

521 (e) On or before October 1, 2005, the department shall conduct a  
522 proceeding to develop and issue a request for proposals to solicit the  
523 development of short-term and long-term projects designed to reduce  
524 federally mandated congestion costs for the period commencing on  
525 January 1, 2006, and ending on a date specified by the department,  
526 which ending date may be no earlier than December 31, 2009. For  
527 purposes of this section, projects shall include (1) customer-side  
528 distributed resources, (2) grid-side distributed resources, and (3)  
529 contracts for a term of no more than fifteen years between a person  
530 and a distribution company for the purchase of electric capacity rights  
531 in the area in which the company is authorized to provide service.  
532 Such request for proposals shall encourage responses from a variety of  
533 resource types and encourage diversity in the fuel mix used in  
534 generation. The department may request from a person submitting a  
535 proposal further information that it considers necessary to evaluate the  
536 proposal.

537 (f) The department shall publish such request for proposals in one  
538 or more newspapers or periodicals, as selected by the department, and  
539 shall post such request for proposals on its web site. The department  
540 may retain the services of a third-party entity with expertise in the area  
541 of energy procurement to oversee the development of the request for  
542 proposals and to assist the department in its approval of proposals  
543 pursuant to subsection (j) of this section. The reasonable and proper  
544 expenses for retaining such third-party entity shall be reimbursed

545 through federally mandated congestion costs, as defined in section 16-  
546 1 of the general statutes, as amended by this act.

547 (g) An electric distribution company may submit a proposal for  
548 grid-side distributed resources, which proposals shall be limited to  
549 those locations identified in subsection (c) of this section. The proposal  
550 shall describe how the company will use or sell the capacity and power  
551 associated with such resources. If such a proposal from an electric  
552 distribution company is approved pursuant to subsection (j) of this  
553 section, such company may develop, own and operate such resource,  
554 provided such company shall, not later than five years after such  
555 resource begins commercial operation (1) sell such resource in  
556 accordance with section 16-43 of the general statutes, or (2) auction the  
557 power or capacity or both associated with such resource pursuant to a  
558 plan approved by the department. The department may, after notice  
559 and hearing, waive the requirements of subdivisions (1) and (2) of this  
560 subsection if it determines that compliance with such requirements are  
561 not in the public interest.

562 (h) Any person, other than an electric distribution company,  
563 submitting a proposal for grid-side distributed resources shall include  
564 with its proposal a draft of a contract for the sale of the electric  
565 capacity rights associated with such proposal. No such draft of a  
566 contract shall have a term exceeding fifteen years.

567 (i) Each person submitting a proposal pursuant to this section shall  
568 agree to forgo reliability must run payments or payments for similar  
569 purposes for any project approved pursuant to subsection (j) of this  
570 section.

571 (j) The department shall, on or before January 1, 2006, evaluate such  
572 proposals and approve one or more of such proposals that result in the  
573 greatest aggregate reduction of federally mandated congestion costs  
574 for the period 2006 to 2010, inclusive. Projects approved pursuant to  
575 this subsection may enter into long-term contracts pursuant to  
576 subsection (l) of this section and expedited siting pursuant to section

577 19 of this act. Customer-side distributed resource projects approved  
578 pursuant to this subsection shall be eligible for the incentives provided  
579 pursuant to sections 9 and 11 of this act and this section, but shall not  
580 be eligible for the program described in section 8 of this act.

581 (k) The department shall approve no more than a total of two  
582 hundred fifty megawatts of grid-side distributed resources projects in  
583 this state owned by electric distribution companies. Such projects shall  
584 be eligible for rate recovery pursuant to sections 16-19 and 16-19e of  
585 the general statutes, subject to the provisions of subsection (g) of this  
586 section.

587 (l) If an electric distribution company enters into a contract to  
588 purchase capacity pursuant to this section, no such contract may  
589 become effective without approval of the department. The department  
590 shall hold a hearing that shall be conducted as a contested case, in  
591 accordance with the provisions of chapter 54 of the general statutes, to  
592 approve, reject or modify an application for approval of a capacity  
593 purchase contract. No contract shall be approved unless the  
594 department finds that approval of such contract would (1) result in the  
595 lowest reasonable cost of such products and services, (2) increase  
596 reliability, and (3) minimize federally mandated congestion costs to the  
597 state over time. Such a contract shall contain terms that mitigate the  
598 long-term risk assumed by ratepayers. No contract approved by the  
599 department shall have a term exceeding fifteen years. The electric  
600 distribution company shall either sell into the capacity markets all  
601 capacity rights transferred pursuant to this section and use all  
602 proceeds from such sales to offset federally mandated congestion costs  
603 incurred by all customers, or shall retain such capacity rights to offset  
604 electric capacity costs associated with transitional standard offer,  
605 standard service or service as supplier of last resort under section 16-  
606 244c of the general statutes, as amended by this act. The costs  
607 associated with long-term electric capacity contracts shall be recovered  
608 through federally mandated congestion costs.

609 (m) The provisions of section 16a-7c of the general statutes shall not

610 apply to projects approved pursuant to this section.

611 (n) The department may order an electric distribution company to  
612 submit a proposal pursuant to the provisions of this section and may  
613 approve such a proposal under this section. Nothing in sections 16-1,  
614 16-19ss, 16-244c, 16-244e, 16-245m, 16-245n, 16-50k, 16-32f, 16-50x and  
615 16-245d of the general statutes, as amended by this act, and sections 8  
616 to 17, inclusive, and 20 and 21 of this act shall limit the department's  
617 ability to conduct requests for proposals, in addition to those  
618 considered by the date specified in subsection (j) of this section, to  
619 reduce federally mandated congestion costs and to approve such  
620 proposals or otherwise to meet its responsibility under title 16 of the  
621 general statutes.

622 Sec. 13. (NEW) (*Effective from passage*) (a) Not later than October 1,  
623 2005, each electric distribution company, as defined in section 16-1 of  
624 the general statutes, as amended by this act, shall submit an  
625 application to the Department of Public Utility Control to (1) on or  
626 before January 1, 2007, implement mandatory peak, shoulder and off-  
627 peak time of use rates for customers that have a maximum demand of  
628 not less than three hundred fifty kilowatts, and (2) on or before June 1,  
629 2006, offer optional interruptible or load response rates for customers  
630 that have a maximum demand of not less than three hundred fifty  
631 kilowatts and offer optional seasonal and time of use rates for all  
632 customers. The application shall propose to establish time of use rates  
633 through a procurement plan, revenue neutral adjustments to delivery  
634 rates, or both.

635 (b) From March 1, 2006, until December 31, 2006, each electric  
636 distribution company shall issue comparative bills to customers that  
637 have a maximum demand of not less than three hundred fifty  
638 kilowatts that would demonstrate, at current levels of consumption,  
639 the effects of the mandatory time of use rates to be effective beginning  
640 January 1, 2007.

641 (c) Not later than November 1, 2005, each electric distribution

642 company shall submit an application to the Department of Public  
643 Utility Control to implement mandatory seasonal rates for all  
644 customers beginning April 1, 2007.

645 (d) From April 1, 2006, until March 31, 2007, each electric  
646 distribution company shall issue comparative analysis to all customers  
647 that demonstrate, at current levels of consumption, the effects of the  
648 mandatory seasonal rates that will be effective beginning April 1, 2007.

649 (e) The department shall hold a hearing that shall be conducted as a  
650 contested case, in accordance with the provisions of chapter 54 of the  
651 general statutes, to approve, reject or modify applications submitted  
652 pursuant to subsection (a) or (c) of this section. No application for time  
653 of use rates shall be approved unless (1) such rates reasonably reflect  
654 the cost of service during peak, shoulder, seasonal and off-peak  
655 periods, and (2) the costs associated with implementation, the impact  
656 on customers and benefits to the utility system justify implementation  
657 of such rates, and (3) such rates alter patterns of customer  
658 consumption of electricity without undue adverse effect on the  
659 customer.

660 (f) Each electric distribution company shall assist customers to help  
661 manage loads and reduce peak consumption through the  
662 comprehensive plan developed pursuant to section 16-245m of the  
663 general statutes, as amended by this act.

664 (g) The department shall conduct a contested case, in accordance  
665 with chapter 54 of the general statutes, to determine the standards  
666 under which, and process by which, a customer, having a maximum  
667 demand of three hundred fifty kilowatts or more, may obtain an  
668 exemption, until July 1, 2010, from mandatory time of use rates under  
669 this section. The department shall issue a decision in the contested case  
670 no later than January 1, 2006.

671 Sec. 14. (NEW) (*Effective from passage*) (a) If a customer's customer-  
672 side distributed resource capacity implemented after January 1, 2006,  
673 is less than the customer's maximum metered peak load, the customer

674 shall not be required to pay back-up power rates if the customer's  
675 distributed resources are available during system peak periods,  
676 provided the customer shall continue to be required to pay otherwise  
677 applicable charges for electricity provided by the distribution  
678 company.

679 (b) The costs that a customer is not required to pay pursuant to  
680 subsection (a) of this section shall be recoverable by the electric  
681 distribution companies.

682 Sec. 15. (NEW) (*Effective from passage*) (a) An electric distribution  
683 company may recover its costs and investments that have been  
684 prudently incurred under the provisions of sections 16-1, 16-19ss, 16-  
685 244c, 16-244e, 16-245m, 16-245n, 16-50k, 16-32f, 16-50x and 16-245d of  
686 the general statutes, as amended by this act, and sections 8 to 17,  
687 inclusive, and 20 and 21 of this act. The Department of Public Utility  
688 Control shall, after a hearing held pursuant to the provisions of  
689 chapter 54 of the general statutes, determine the appropriate  
690 mechanism to obtain cost recovery in a timely manner which  
691 mechanism may be one or more of the following: Approval of rates as  
692 provided in sections 16-19 and 16-19e of the general statutes, the  
693 energy adjustment clause as provided in section 16-19b of the general  
694 statutes or the federally mandated congestion costs, as defined in  
695 section 16-1 of the general statutes, as amended by this act. If an  
696 electric distribution company has, for six consecutive months, earned a  
697 return on equity below the return authorized by the department,  
698 earnings of such electric distribution companies that are adversely  
699 affected owing to decreased energy use attributable to implementation  
700 of the provisions of sections 16-1, 16-19ss, 16-244c, 16-244e, 16-245m,  
701 16-245n, 16-50k, 16-32f, 16-50x and 16-245d of the general statutes, as  
702 amended by this act, and sections 8 to 17, inclusive, and 20 and 21 of  
703 this act are recoverable pursuant to the provisions of section 16-19kk of  
704 the general statutes.

705 (b) Electric distribution companies shall be authorized to earn an  
706 incentive, as provided in section 16-19kk of the general statutes, for

707 costs prudently incurred by such companies pursuant to this section.

708       Sec. 16. (NEW) (*Effective from passage*) (a) On and after January 1,  
709 2007, each electric distribution company providing standard service  
710 pursuant to section 16-244c of the general statutes, as amended by this  
711 act, and each supplier as defined in section 16-1 of the general statutes,  
712 as amended by this act, shall demonstrate to the satisfaction of the  
713 Department of Public Utility Control that not less than one per cent of  
714 the total output or services of such supplier or distribution company  
715 shall be obtained from Class III resources. On and after January 1,  
716 2008, not less than two per cent of the total output or services of any  
717 such supplier or distribution company shall, on demonstration  
718 satisfactory to the Department of Public Utility Control, be obtained  
719 from Class III resources. On or after January 1, 2009, not less than three  
720 per cent of the total output or services of any such supplier or  
721 distribution company shall, on demonstration satisfactory to the  
722 Department of Public Utility Control, be obtained from Class III  
723 resources. On and after January 1, 2010, not less than four per cent of  
724 the total output or services of any such supplier or distribution  
725 company shall, on demonstration satisfactory to the Department of  
726 Public Utility Control, be obtained from Class III resources. Electric  
727 power obtained from customer-side distributed resources that does not  
728 meet air quality standards of the Department of Environmental  
729 Protection is not eligible for purposes of meeting the percentage  
730 standards in this section.

731       (b) The Department of Public Utility Control shall assess each  
732 supplier and each electric distribution company that fails to meet the  
733 percentage standards of subsection (a) of this section a charge of five  
734 and five-tenths cents for each kilowatt hour of electricity that such  
735 supplier or company is deficient in meeting such percentage  
736 standards. Seventy-five per cent of such assessed charges shall be  
737 deposited in the Energy Conservation and Load Management Fund  
738 established in section 16-245m of the general statutes, as amended by  
739 this act, and twenty-five per cent in the Renewable Energy Investment  
740 Fund established in section 16-245n of the general statutes, as amended

741 by this act.

742 (c) An electric supplier or electric distribution company may satisfy  
743 the requirements of this section by participating in a conservation and  
744 distributed resources trading program approved by the Department of  
745 Public Utility Control. Credits created by conservation and customer-  
746 side distributed resources shall be allocated to the person that  
747 conserved the electricity or installed the project for customer-side  
748 distributed resources to which the credit is attributable and to the  
749 Energy Conservation and Load Management Fund. Such credits shall  
750 be made in the following manner: A minimum of ten per cent of the  
751 credits shall be allocated to the person that conserved the electricity or  
752 installed the project for customer-side distributed resources to which  
753 the energy credit is attributable and the remainder of the credits shall  
754 be allocated to the Energy Conservation and Load Management Fund,  
755 based on a schedule created by the department no later than January 1,  
756 2007, and reviewed annually thereafter. The department may, in a  
757 proceeding and for good cause shown, allocate a larger proportion of  
758 such credits to the person who conserved the electricity or installed the  
759 customer-side distributed resources. The department shall consider the  
760 proportion of investment made by a ratepayer through various  
761 ratepayer-funded incentive programs and the resulting reduction in  
762 federally mandated congestion costs. The portion allocated to the  
763 Energy Conservation and Load Management Fund shall be used for  
764 measures that respond to energy demand and for peak reduction  
765 programs.

766 (d) An electric distribution company providing standard service  
767 may contract with its wholesale suppliers to comply with the  
768 conservation and customer-side distributed resources standards set  
769 forth in subsection (a) of this section. The Department of Public Utility  
770 Control shall annually conduct a contested case, in accordance with the  
771 provisions of chapter 54 of the general statutes, to determine whether  
772 the electric distribution company's wholesale suppliers met the  
773 conservation and distributed resources standards during the preceding  
774 year. Any such contract shall include a provision that requires such



775 supplier to pay the electric distribution company an amount of five  
776 and one-half cents per kilowatt hour if the wholesale supplier fails to  
777 comply with the conservation and distributed resources standards  
778 during the subject annual period. The electric distribution company  
779 shall immediately transfer seventy-five per cent of any payment  
780 received from the wholesale supplier for the failure to meet the  
781 conservation and distributed resources standards to the Energy  
782 Conservation and Load Management Fund and twenty-five per cent to  
783 the Renewable Energy Investment Fund. Any payment made pursuant  
784 to this section shall not be considered revenue or income to the electric  
785 distribution company.

786 (e) The Department of Public Utility Control shall conduct a  
787 contested proceeding to develop the administrative processes and  
788 program specifications that are necessary to implement a Class III  
789 conservation and distributed resources trading program. The  
790 proceeding shall include, but not be limited to, an examination of  
791 issues such as (1) the manner in which qualifying activities are  
792 certified, tracked and reported, (2) the manner in which Class III  
793 certificates are created, accounted for and transferred, (3) the feasibility  
794 and benefits of expanding eligible Class III resources to include those  
795 resulting from electricity savings made by residential customers, (4)  
796 verification of the accuracy of conservation and customer-side  
797 distributed resources credits, (5) verification of the fact that resources  
798 or credits used to satisfy the requirement of this section have not been  
799 used to satisfy any other portfolio or similar requirement, and (6)  
800 setting such alternative payment amounts at a level that encourages  
801 development of conservation and customer-side distributed resources.  
802 The department may retain the services of a third party entity with  
803 expertise in the development of energy efficiency trading or  
804 verification programs to assist in the development and operation of the  
805 program. The department shall issue a decision no later than February  
806 1, 2006.

807 Sec. 17. (NEW) (*Effective from passage*) (a) Each municipal electric  
808 utility created pursuant to chapter 101 of the general statutes or by

809 special act shall, for conservation and load management programs  
810 pursuant to this section, accrue from each kilowatt hour of its metered  
811 firm electric retails sales no less than the following amounts during the  
812 following periods, in a manner conforming to the requirement of this  
813 section: (1) 1.0 mills on and after January 1, 2006; (2) 1.4 mills on and  
814 after January 1, 2007; (3) 1.8 mills on and after January 1, 2008; (4) 2.2  
815 mills on and after January 1, 2009; (5) 2.6 mills on and after January 1,  
816 2010; and (6) 3.0 mills on and after January 1, 2011.

817 (b) There is hereby created a Municipal Energy Conservation and  
818 Load Management Fund in each municipal electric energy cooperative  
819 created pursuant to chapter 101a of the general statutes, which fund  
820 shall be a separate and dedicated fund to be held and administered by  
821 such cooperative. Each municipal electric utility created pursuant to  
822 chapter 101 of the general statutes or by special act that is a member or  
823 participant in such a municipal electric energy cooperative shall accrue  
824 and deposit such amounts as specified in subsection (a) of this section  
825 into such fund. Any balance remaining in the fund at the end of any  
826 fiscal year shall be carried forward in the fiscal year next succeeding.  
827 Disbursements from the fund shall be made pursuant to the  
828 comprehensive electric conservation and load management plan  
829 prepared by the cooperative in accordance with subsection (c) of this  
830 section.

831 (c) Such cooperative shall, annually, adopt a comprehensive plan for  
832 the expenditure of such funds by the cooperative on behalf of such  
833 municipal electric utilities for the purpose of carrying out electric  
834 conservation, energy efficiency and electric load management  
835 programs funded by the charge accrued pursuant to subsection (a) of  
836 this section. The cooperative shall expend or cause to be expended the  
837 amounts held in such fund in conformity with the adopted plan. The  
838 plan may direct the expenditure of funds on facilities or measures  
839 located in any one or more of the service areas of the municipal electric  
840 utilities who are members or participants in such cooperative and may  
841 provide for the establishment of goals and standards for measuring the  
842 cost effectiveness of expenditures made from such fund, for the

843 minimization of federally mandated congestion costs and for achieving  
844 appropriate geographic coverage and scope in each such service area.  
845 Such plan shall be consistent with the comprehensive plan of the  
846 Energy Conservation Management Board established under section 16-  
847 245m of the general statutes, as amended by this act. Such cooperative,  
848 annually, shall submit its plan to such board for review.

849 Sec. 18. Subsection (a) of section 16-50k of the general statutes is  
850 repealed and the following is substituted in lieu thereof (*Effective from*  
851 *passage*):

852 (a) Except as provided in subsection (b) of section 16-50z, no person  
853 shall exercise any right of eminent domain in contemplation of,  
854 commence the preparation of the site for, or commence the  
855 construction or supplying of a facility, or commence any modification  
856 of a facility, that may, as determined by the council, have a substantial  
857 adverse environmental effect in the state without having first obtained  
858 a certificate of environmental compatibility and public need,  
859 hereinafter referred to as a "certificate", issued with respect to such  
860 facility or modification by the council, except fuel cells with a  
861 generating capacity of ten kilowatts or less which shall not require  
862 such certificate. Any facility with respect to which a certificate is  
863 required shall thereafter be built, maintained and operated in  
864 conformity with such certificate and any terms, limitations or  
865 conditions contained therein. Notwithstanding the provisions of this  
866 chapter or title 16a, the council shall, in the exercise of its jurisdiction  
867 over the siting of generating facilities, approve by declaratory ruling  
868 (1) the construction of a facility solely for the purpose of generating  
869 electricity, other than an electric generating facility that uses nuclear  
870 materials or coal as fuel, at a site where an electric generating facility  
871 operated prior to July 1, 1998, (2) the construction or location of any  
872 fuel cell, unless the council finds a substantial adverse environmental  
873 effect, or of any customer-side distributed resources project or facility  
874 or grid-side distributed resources project or facility with a capacity of  
875 not more than twenty-five megawatts, so long as such project meets air  
876 quality standards of the Department of Environmental Protection, and

877 (3) the siting of temporary generation solicited by the Department of  
878 Public Utility Control pursuant to section 16-19ss, as amended by this  
879 act.

880 Sec. 19. (NEW) (*Effective from passage*) The provisions of sections 16-  
881 1, 16-19ss, 16-244c, 16-244e, 16-245m, 16-245n, 16-50k, 16-32f, 16-50x  
882 and 16-245d of the general statutes, as amended by this act, and  
883 sections 8 to 17, inclusive, and 20 and 21 of this act apply to customer-  
884 side distributed resources and grid-side distributed resources  
885 developed in this state that add electric capacity on and after January  
886 1, 2006, and in accordance with the provisions of said sections 16-1, 16-  
887 19ss, 16-244c, 16-244e, 16-245m, 16-245n, 16-50k, 16-32f, 16-50x, 16-  
888 245d, and sections 8 to 17, inclusive, and 20 and 21 of this act.

889 Sec. 20. (NEW) (*Effective from passage*) Not later than October 1, 2005,  
890 the Department of Public Utility Control and the Energy Conservation  
891 Management Board, established in section 16-245m of the general  
892 statutes, as amended by this act, shall establish links on their Internet  
893 web sites to the Energy Star program or successor program that  
894 promotes energy efficiency and each electric distribution company  
895 shall establish a link under its conservation programs on its Internet  
896 web site to the Energy Star program or such successor program.

897 Sec. 21. (NEW) (*Effective from passage*) The Department of Public  
898 Utility Control shall conduct an investigation on how best to decouple  
899 the earnings of natural gas companies and other public service  
900 companies from their sales to promote the state's energy policy. The  
901 department shall report, in accordance with the provisions of section  
902 11-4a of the general statutes, its findings and recommendations for  
903 legislation to the joint standing committee of the General Assembly  
904 having cognizance of matters relating to energy and technology on or  
905 before January 1, 2006.

906 Sec. 22. Section 16-32f of the general statutes is repealed and the  
907 following is substituted in lieu thereof (*Effective July 1, 2005*):

908 (a) On or before October first of each even-numbered year, a gas

909 company, as defined in section 16-1, as amended by this act, shall  
910 furnish a report to the Department of Public Utility Control containing  
911 a five-year forecast of loads and resources. The report shall describe  
912 the facilities and supply sources that, in the judgment of such gas  
913 company, will be required to meet gas demands during the forecast  
914 period. The report shall be made available to the public and shall be  
915 furnished to the chief executive officer of each municipality in the  
916 service area of such gas company, the regional planning agency which  
917 encompasses each such municipality, the Attorney General, the  
918 president pro tempore of the Senate, the speaker of the House of  
919 Representatives, the joint standing committee of the General Assembly  
920 having cognizance of matters relating to public utilities, any other  
921 member of the General Assembly making a request to the department  
922 for the report and such other state and municipal entities as the  
923 department may designate by regulation. The report shall include: (1)  
924 A tabulation of estimated peak loads and resources for each year; (2)  
925 data on gas use and peak loads for the five preceding calendar years;  
926 (3) a list of present and projected gas supply sources; (4) specific  
927 measures to control load growth and promote conservation; and (5)  
928 such other information as the department may require by regulation. A  
929 full description of the methodology used to arrive at the forecast of  
930 loads and resources shall also be furnished to the department. The  
931 department shall hold a public hearing on such reports upon the  
932 request of any person. On or before August first of each odd-  
933 numbered year, the department may request a gas company to furnish  
934 to the department an updated report. A gas company shall furnish any  
935 such updated report not later than sixty days following the request of  
936 the department.

937 (b) [A] Not later than October 1, 2005, and annually thereafter, a gas  
938 company, as defined in section 16-1, as amended by this act, shall  
939 submit to the Department of Public Utility Control a gas conservation  
940 plan, [along with the company's five-year forecast, as defined in  
941 subsection (a) of this section. The plan shall include: (1) Specific  
942 quantifiable conservation and load management targets; (2)

943 conservation option descriptions, analyses and the methodology used  
944 to evaluate conservation options reviewed by such company; and (3)  
945 an estimation of conservation option costs and benefits, sufficiently  
946 detailed to allow the department to evaluate revenue requirements  
947 and other social and environmental costs and benefits, or such other  
948 components as the department may by order direct] in accordance  
949 with the provisions of this section, to implement cost-effective energy  
950 conservation programs and market transformation initiatives. All  
951 supply and conservation and load management options shall be  
952 evaluated and selected within an integrated supply and demand  
953 planning framework. [The department shall hold a public hearing on  
954 such plans in conjunction with the public hearing held pursuant to  
955 subsection (a) of this section. On or before August first of each odd-  
956 numbered year, the department may request a gas company to submit  
957 an updated plan to the department. A gas company shall furnish any  
958 such updated plan not later than sixty days following the request of  
959 the department.] The department, after a public hearing, shall approve,  
960 modify or reject the plan. The gas company shall implement measures  
961 in the approved plan that have a payback period of twenty-four  
962 months or less. The failure of the department to approve measures  
963 with a payback period of more than twenty-four months is not  
964 appealable.

965 (c) (1) The Energy Conservation Management Board, established  
966 pursuant to section 16-245m, as amended by this act, shall advise and  
967 assist each such gas company in the development and implementation  
968 of the plan submitted under subsection (b) of this section. Each  
969 program contained in the plan shall be reviewed by each such gas  
970 company and shall be either accepted, modified or rejected by the  
971 Energy Conservation Management Board before submission of the  
972 plan to the department for approval. The Energy Conservation  
973 Management Board shall, as part of its review, examine opportunities  
974 to offer joint programs providing similar efficiency measures that save  
975 more than one fuel resource or to otherwise coordinate programs  
976 targeted at saving more than one fuel resource. Any costs for joint

977 programs shall be allocated equitably among the conservation  
978 programs.

979 (2) Programs included in the plan shall be screened through cost-  
980 effectiveness testing that compares the value and payback period of  
981 program benefits to program costs to ensure that the programs are  
982 designed to obtain gas savings whose value is greater than the costs of  
983 the program. Program cost-effectiveness shall be reviewed annually by  
984 the department, or otherwise as is practicable. If the department  
985 determines that a program fails the cost-effectiveness test as part of the  
986 review process, the program shall either be modified to meet the test  
987 or shall be terminated. On or before January 1, 2007, and annually  
988 thereafter, the board shall provide a report, in accordance with the  
989 provisions of section 11-4a, to the joint standing committees of the  
990 General Assembly having cognizance of matters relating to energy and  
991 the environment, that documents expenditures and funding for such  
992 programs and evaluates the cost-effectiveness of such programs  
993 conducted in the preceding year, including any increased cost-  
994 effectiveness owing to offering programs that save more than one fuel  
995 resource.

996 (3) Programs included in the plan may include, but are not limited  
997 to: (A) Conservation and load management programs, including  
998 programs that benefit low-income individuals; (B) research,  
999 development and commercialization of products or processes that are  
1000 more energy-efficient than those generally available; (C) development  
1001 of markets for such products and processes; (D) support for energy use  
1002 assessment, engineering studies and services related to new  
1003 construction or major building renovations; (E) the design,  
1004 manufacture, commercialization and purchase of energy-efficient  
1005 appliances, air conditioning and heating devices; (F) program planning  
1006 and evaluation; (G) joint fuel conservation initiatives and programs  
1007 targeted at saving more than one fuel resource; and (H) public  
1008 education regarding conservation. Such support may be by direct  
1009 funding, manufacturers' rebates, sale price and loan subsidies, leases  
1010 and promotional and educational activities. The plan shall also provide

1011 for expenditures by the Energy Conservation Management Board for  
1012 the retention of expert consultants and reasonable administrative costs,  
1013 provided such consultants shall not be employed by, or have any  
1014 contractual relationship with, a gas company. Such costs shall not  
1015 exceed five per cent of the total cost of the plan.

1016 Sec. 23. Subsection (a) of section 16-50x of the general statutes is  
1017 repealed and the following is substituted in lieu thereof (*Effective July*  
1018 *1, 2005*):

1019 (a) Notwithstanding any other provision of the general statutes to  
1020 the contrary, except as provided in section 16-243, the council shall  
1021 have exclusive jurisdiction over the location and type of facilities and  
1022 over the location and type of modifications of facilities subject to the  
1023 provisions of subsection (d) of this section. In ruling on applications  
1024 for certificates or petitions for a declaratory ruling for facilities and on  
1025 requests for shared use of facilities, the council shall give such  
1026 consideration to other state laws and municipal regulations as it shall  
1027 deem appropriate. Whenever the council certifies a facility pursuant to  
1028 this chapter, such certification shall satisfy and be in lieu of all  
1029 certifications, approvals and other requirements of state and municipal  
1030 agencies in regard to any questions of public need, convenience and  
1031 necessity for such facility.

1032 Sec. 24. Subdivision (1) of subsection (b) of section 16-244c of the  
1033 general statutes is repealed and the following is substituted in lieu  
1034 thereof (*Effective July 1, 2005*):

1035 (b) (1) On and after ~~[January 1, 2004]~~ July 1, 2005, each electric  
1036 distribution company shall make available to all customers in its  
1037 service area, the provision of electric generation and distribution  
1038 services through a transitional standard offer. Under the transitional  
1039 standard offer, a customer shall receive electric services at a rate  
1040 established by the Department of Public Utility Control pursuant to  
1041 subdivision (2) of this subsection. Each electric distribution company  
1042 shall provide electric generation services in accordance with such



1043 option to any customer who affirmatively chooses to receive electric  
1044 generation services pursuant to the transitional standard offer or does  
1045 not or is unable to arrange for or maintain electric generation services  
1046 with an electric supplier. The transitional standard offer shall  
1047 terminate on December 31, 2006. While providing electric generation  
1048 services under the transitional standard offer, an electric distribution  
1049 company may provide electric generation services through any of its  
1050 generation entities or affiliates, provided such entities or affiliates are  
1051 licensed pursuant to section 16-245.

1052 Sec. 25. Subparagraph (D) of subdivision (2) of subsection (b) of  
1053 section 16-244c of the general statutes is repealed and the following is  
1054 substituted in lieu thereof (*Effective July 1, 2005*):

1055 (D) The transitional standard offer (i) shall be adjusted to the extent  
1056 of any increase or decrease in state taxes attributable to sections 12-264  
1057 and 12-265 and any other increase or decrease in state or federal taxes  
1058 resulting from a change in state or federal law, (ii) shall be adjusted to  
1059 provide for the cost of contracts under subdivision (2) of subsection (j)  
1060 of this section, as amended by this act, and the administrative costs for  
1061 the procurement of such contracts, and (iii) shall continue to be  
1062 adjusted during such period pursuant to section 16-19b. Savings  
1063 attributable to a reduction in taxes shall not be shifted between  
1064 customer classes. Notwithstanding the provisions of section 16-19b, the  
1065 provisions of section 16-19b shall apply to electric distribution  
1066 companies.

1067 Sec. 26. Subsection (j) of section 16-244c of the general statutes is  
1068 repealed and the following is substituted in lieu thereof (*Effective July*  
1069 *1, 2005*):

1070 (j) (1) Notwithstanding the provisions of subsection (d) of this  
1071 section regarding an alternative transitional standard offer option or  
1072 an alternative standard service option, an electric distribution  
1073 company providing transitional standard offer service, standard  
1074 service, supplier of last resort service or back-up electric generation

1075 service in accordance with this section shall contract with its wholesale  
1076 suppliers to comply with the renewable portfolio standards. The  
1077 Department of Public Utility Control shall annually conduct a  
1078 contested case, in accordance with the provisions of chapter 54, in  
1079 order to determine whether the electric distribution company's  
1080 wholesale suppliers met the renewable portfolio standards during the  
1081 preceding year. An electric distribution company shall include a  
1082 provision in its contract with each wholesale supplier that requires the  
1083 wholesale supplier to pay the electric distribution company an amount  
1084 of five and one-half cents per kilowatt hour if the wholesale supplier  
1085 fails to comply with the renewable portfolio standards during the  
1086 subject annual period. The electric distribution company shall  
1087 promptly transfer any payment received from the wholesale supplier  
1088 for the failure to meet the renewable portfolio standards to the  
1089 Renewable Energy Investment Fund for the development of Class I  
1090 renewable energy sources. Any payment made pursuant to this section  
1091 shall not be considered revenue or income to the electric distribution  
1092 company.

1093 (2) Notwithstanding the provisions of subsection (d) of this section  
1094 regarding an alternative transitional standard offer option or an  
1095 alternative standard service option, an electric distribution company  
1096 providing transitional standard offer service, standard service,  
1097 supplier of last resort service or back-up electric generation service in  
1098 accordance with this section shall, not later than July 1, 2007, file with  
1099 the Department of Public Utility Control for its approval one or more  
1100 long-term power purchase contracts from Class I renewable energy  
1101 source projects that receive funding from the Renewable Energy  
1102 Investment Fund and that are not less than one megawatt in size, at a  
1103 price that is [not more than the total of the comparable wholesale  
1104 market price for generation plus five and one-half cents per kilowatt  
1105 hour] fifty per cent of the wholesale market electricity cost at the point  
1106 at which transmission lines intersect with each other or interface with  
1107 the distribution system, plus the projected cost of fuel indexed to  
1108 natural gas futures contracts on the New York Mercantile Exchange at

1109 the natural gas pipeline interchange located in Vermillion Parish,  
 1110 Louisiana that serves as the delivery point for such futures contracts,  
 1111 plus the fuel delivery charge for transporting fuel to the project. In its  
 1112 approval of such contracts, the department shall give preference to  
 1113 purchase contracts from those projects that would provide a financial  
 1114 benefit to ratepayers or would enhance the reliability of the electric  
 1115 transmission system of the state. Such projects shall be located in this  
 1116 state and the developer of such a project with a fuel cell shall be  
 1117 allocated no less than fifty per cent of the energy credits in the Class I  
 1118 renewable energy credits program established in section 16-245a. Such  
 1119 contracts shall be comprised of not less than a total, apportioned  
 1120 among each electric distribution company, of one hundred megawatts.  
 1121 The cost of such contracts and the administrative costs for the  
 1122 procurement of such contracts directly incurred shall be eligible for  
 1123 inclusion in the [generation services charge component of rates]  
 1124 adjustment to the standard offer as provided in subparagraph (D) of  
 1125 subdivision (2) of subsection (b) of this section, as amended by this act,  
 1126 provided [that] such contracts are for a period of time sufficient to  
 1127 provide financing for such projects, but not less than ten years and are  
 1128 for projects which began operation on or after July 1, 2003. [The  
 1129 amount from Class I renewable energy sources contracted under such  
 1130 contracts shall be applied to reduce the applicable Class I renewable  
 1131 energy source portfolio standards.] For purposes of this subdivision,  
 1132 the department's determination of the comparable wholesale market  
 1133 price for generation shall be based upon a reasonable estimate."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	16-1(a)
Sec. 2	<i>from passage</i>	16-1(a)(40) and (41)
Sec. 3	<i>from passage</i>	16-19ss(d)
Sec. 4	<i>from passage</i>	16-244e(a)(6)
Sec. 5	<i>from passage</i>	16-245m
Sec. 6	<i>from passage</i>	16-245n
Sec. 7	<i>October 1, 2005</i>	16-245d(a)
Sec. 8	<i>from passage</i>	New section

Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	New section
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>from passage</i>	New section
Sec. 14	<i>from passage</i>	New section
Sec. 15	<i>from passage</i>	New section
Sec. 16	<i>from passage</i>	New section
Sec. 17	<i>from passage</i>	New section
Sec. 18	<i>from passage</i>	16-50k(a)
Sec. 19	<i>from passage</i>	New section
Sec. 20	<i>from passage</i>	New section
Sec. 21	<i>from passage</i>	New section
Sec. 22	<i>July 1, 2005</i>	16-32f
Sec. 23	<i>July 1, 2005</i>	16-50x(a)
Sec. 24	<i>July 1, 2005</i>	16-244c(b)(1)
Sec. 25	<i>July 1, 2005</i>	16-244c(b)(2)(D)
Sec. 26	<i>July 1, 2005</i>	16-244c(j)